

BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
George Martin	President	2007
Brenda Schanbacher	Vice President	2007
Terry Harrington	Board Member	2009
Bryce Brecht	Board Member	2009
Robyn Allen	Board Member	2008
Brian Strellner	Board Member	2008
Dan Voss	Board Member	2007
<u>Board of Education</u>		
(After September 2007 Election)		
Brenda Schanbacher	President	2011
Terry Harrington	Vice President	2009
Dan Voss	Board Member	2011
Bryce Brecht	Board Member	2009
Tricia Schutterle	Board Member	2009
Robyn Allen	Board Member	2008
Brian Strellner	Board Member	2008
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2008
Doug Embray	District Secretary	2008
Barb Barr	District Treasurer	2008
Shuttleworth and Ingersoll	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2009 on our consideration of Benton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS 2008

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2008. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2008.

This is the sixth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required. In subsequent years, with additional data, five-year trends will be provided for District financial information.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Fiscal 2008 Financial Highlights

- ◆ General Fund revenue and other financing sources increased from \$12,884,858 in fiscal 2007 to \$13,688,365 in fiscal 2008 while General Fund expenditures increased from \$12,999,536 in fiscal 2007 to \$14,192,788 in fiscal 2008. This resulted in an overall change in the District's General Fund balance from \$2,426,706 in fiscal 2007 to \$1,922,283 in fiscal 2008, a moderate decrease from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributed to an increase in local property tax collections as well as state and federal program revenue in fiscal 2008. In addition 2008 was the sixth year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide approximately \$467,671 for District identified purchases.
- ◆ The increase in expenditures was due primarily to an increase in personnel costs due to negotiated salary and benefit agreements, increased accounts payable expenditures, first time implementation of four year old preschool programming, and increases in fixed costs.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2008 fiscal year. The revenue from this tax has been used to reduce District long-term debt. The District has also approved a new Revenue Purpose Statement to align with State Legislation on the One Cent Sales revenue collection. This funding stream continues to support district infrastructure needs.
- ◆ A stagnant economy impacted earning rates during the fiscal year, resulting in a small decrease in General Fund interest earnings on investments. In fiscal 2007 the District earned \$39,130 on investments. In fiscal year 2008 the District earned \$33,008 on investments, a slight decrease over last years earnings.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2008 fiscal year. The PPEL fund will expire in Fiscal 2011. This funding approval has provided approximately 5 million dollars over the past decade to improve district infrastructure.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of revenue and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
- ◆ The District's governmental funds include the General Fund; Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2007 and June 30, 2008.

Figure A-1 Statement of Net Assets

	Governmental Activities	Business-type Activity	School District	Government Activities	Business Activity	School District	Change
	2007	2007	2007	2008	2008	2008	
Current /other assets	11,026,139	138,413	11,164,552	11,956,664	168,837	12,125,501	960,949
Capital Assets	9,063,330	61,737	9,125,067	9,834,443	66,388	9,900,831	775,764
Total Assets	20,089,469	200,150	20,289,619	21,791,107	235,225	22,026,332	1,736,713
Long-term obligations	3,185,000	0	3,185,000	3,045,000	0	3,045,000	-140,000
Other liabilities	5,710,096	21,918	5,732,014	6,872,126	12,846	6,884,972	1,152,958
Total Liabilities	8,895,096	21,918	8,917,014	9,917,126	12,846	9,929,972	1,012,958
Net Assets:							
Invested in capital Assets, net of debt	5,878,330	61,737	5,940,067	6,789,443	66,388	6,855,831	915,764
Restricted	2,755,322	0	2,755,322	3,181,844	0	3,181,844	426,522
Unrestricted	2,560,721	116,495	2,677,216	1,902,694	155,991	2,058,685	-618,531
Total Net Assets	11,194,373	178,232	11,372,605	11,873,981	222,379	12,096,360	723,755

Changes in net assets: Figure A-2 shows the changes in net assets for the years ending June 30, 2007 and June 30, 2008.

Figure A-2 Changes in Net Assets

	Government Activities 2007	Business Activities 2007	School District 2007	Government Activities 2008	Business Activities 2008	School District 2008	Change
Revenues:							
Program Revenue:							
Charge for service / sales	1,109,308	557,415	1,666,723	1,009,172	487,762	1,496,934	-169,789
Operating grants, restricted interest	1,482,544	204,447	1,686,991	2,060,754	225,644	2,286,398	599,407
Capital grants, and restricted interest	100,000	0	100,000	165,260	0	165,260	65,260
General Revenues:							
Property tax	6,213,266	0	6,213,266	6,356,828	0	6,356,828	143,562
Unrestricted state grants	6,344,781	0	6,344,781	6,485,371	0	6,485,371	140,590
Unrestricted investments	87,614	950	88,564	81,724	902	82,626	-5,938
Other	73,403	0	73,403	79,644	0	79,644	6,241
Total revenues	15,410,916	762,812	16,173,728	16,238,753	714,308	16,953,061	779,333
Program Expenses:							
Governmental activities							
Instruction	8,928,174	0	8,928,174	9,767,347	0	9,767,347	839,173
Support services	4,413,168	3,404	4,416,572	4,692,072	1,148	4,693,220	276,648
Non-instruction Programs	0	725,608	725,608	27,055	669,013	696,068	-29,540
Other expenses	1,070,731	0	1,070,731	1,072,671	0	1,072,671	1,940
Total expenses	14,412,073	729,012	15,141,085	15,559,145	670,161	16,229,306	1,088,221
Change in net assets:	998,843	33,800	1,032,643	679,608	44,147	723,755	-308,881

Property tax and unrestricted state grants account for 76% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16,238,753 and expenses were \$15,559,145 in fiscal 2008, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2007 and June 30, 2008.

	Cost of Services	Net Cost of Services	Cost of Services	Net Cost of Services	Change
	2007	2007	2008	2008	
Instruction	8,928,174	6,916,186	9,767,347	7,312,908	396,722
Support services	4,418,168	4,365,187	4,692,072	4,639,781	274,594
Non-instructional programs	0	0	27,055	27,055	27,055
Other expenses	1,070,731	438,848	1,023,380	294,924	-143,924
Total	14,412,073	11,720,221	15,509,854	12,274,668	554,447

- ◆ The cost financed by users of District's programs was \$1,009,172
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,060,754
- ◆ The net cost of governmental activities was financed with \$6,356,828 in property tax, and other taxes \$6,485,371 in state foundation aid and \$81,724 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$714,308 and expenses were \$670,161. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2008, the district increased its meal prices and preschool fees. This increased revenue resulted in additions to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

Financial Analysis of the District's Funds

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 4,660,931 a slight decrease over last year's ending fund balance of \$4,930,439

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, taxes and grants resulted in a moderate increase in revenues. The increase in revenues was coupled with a larger than usual increase in General Fund expenditures. These conditions resulted in a decrease in the District's carry over fund balance.
- ◆ The General Fund balance moderately decreased from \$2,426,706 to \$1,922,283 for the 2008 fiscal year. In addition 2007-2008 was the fifth year for a District Instructional Support Levy, which has helped balance expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance decreased in 2007-2008. The Fund balance decreased from \$480,650 in fiscal 2007 to \$280,352 in fiscal 2008. The main reason for the fund balance decrease was the various identified construction projects for the school district.
- ◆ The District Capital Projects Account increased to a balance of \$2,163,908 on June 30, 2008. This balance is a combination of One-cent sales tax money collections and retainage related to the Middle/High School building project. The balance is reserved for long-term debt reduction and infrastructure projects.

Proprietary Fund Highlights

The School Nutrition Fund had net assets of \$207,495 on June 30, 2008. As previously noted, the District increased meal prices resulting in the increase in net assets. The District also revamped its Nutrition accounting system and software in 2007 and added an online payment option for district patrons.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year the district amended its budget one time to reflect additional revenues and expenditures associated with Nutrition, Preschool and Construction Project Accounts. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$16,910,661; \$367,556 more than the total budget receipts amount of \$16,543,105 a variance of 2 percent. The most significant change resulted in the District receiving additional revenue in the one-cent Sales Tax collections.

Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year. Despite this budgeting practice, however, the District exceeded the budget in the instructional and support services were exceeded in 2008 due to increased cost associated with labor agreements.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2008, the District had invested \$9,900,831, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$450,381.

Excluding depreciation, the District has over nine million in capital assets. Governmental Funds account for the majority of the districts capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2007 and June 30, 2008.

	Governmental	Business-type	School	Governmental	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2007	2007	2007	2008	2008	2008
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	230,861	0	230,861	280,139	0	280,139
Buildings	7,503,693	0	7,503,693	8,786,459	0	8,786,459
Construction	493,095	0	493,095	8,650	0	8,650
Furniture/Equip	772,625	61,737	834,362	696,139	66,388	762,527
Totals	9,063,330	61,737	9,125,067	9,834,443	66,388	9,900,831

Long-Term Debt

On June 30, 2008, the District had \$3,045,000 in general obligation and other long-term debt outstanding. This represents a decrease of 140,000 from the 2007 fiscal year. The District issued \$3,280,000 additional long-term debt in the 2004 fiscal year. These funds are being used to finance the Middle School High School Facility Roof and Drainage improvements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ Although the District has experienced declining enrollment for three of the past four years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District and improvements made to District infrastructure.
- ◆ The District will need to prioritize early childhood education opportunities funded within the district general fund budget. During the 2008 fiscal year four year old preschool programming was funded by a state grant generating revenue of approximately \$312,774 in the general fund. The district has secured funding for the fiscal 2009 year for preschool programming that will generate approximately \$386,002 in revenue for the general fund. In particular, attention will need to be given to the district's philosophy regarding birth to three year old programming. In this category students generate district set fee revenue for service and no state aid.
- ◆ The District will need to consider the importance of continued Physical Plant and Equipment Levy revenue and its impact on District infrastructure projects. This voted levy provided approximately \$405,400 in annual revenue for Fiscal 2008. This fund will expire in 2011 without voter renewal. If the district declines to continue this levy, expenditure for district infrastructure will need to be reevaluated. A possible funding alternative for district infrastructure would be Sales Revenue funding which is currently being used as property tax relief for the MS/HS roof and drainage project.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include the early payoff of the current bond obligation balanced at \$3,045,000 fiscal 2008 and the consideration for the sale of a revenue bond for approximately \$6,100,000 for building infrastructure improvements in Fiscal 2010. Current annual payment obligations are approximately \$275,000 annually with future payments calculated to be approximately \$460,000 annually. The Sales Revenue Fund will generate annually, with the assumption of 2% State Sales Revenue Growth, and declining district enrollment of 25 students annually approximately \$1,000,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, ISL for the district improvements in technology, staff development, and textbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$500,000 annually for the General Fund (10). If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2009 with its employee groups for fiscal 2010. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and Reserve Fund Balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,391,051	\$ 144,806	\$ 5,535,857
Receivables:			
Property tax:			
Current year	84,726	-	84,726
Succeeding year	5,298,301	-	5,298,301
Income surtax	444,712	-	444,712
Due from other governments	725,529	-	725,529
Inventories	12,345	24,031	36,376
Capital assets, net of accumulated depreciation (note 4)	9,834,443	66,388	9,900,831
Total assets	21,791,107	235,225	22,026,332
Liabilities			
Accounts payable	352,288	-	352,288
Salaries and benefits payable	1,200,432	-	1,200,432
Accrued interest payable	21,105	-	21,105
Deferred revenue:			
Succeeding year property tax	5,298,301	-	5,298,301
Other	-	12,846	12,846
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	145,000	-	145,000
Portion due after one year:			
Bonds payable	2,900,000	-	2,900,000
Total liabilities	9,917,126	12,846	9,929,972

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 6,789,443	\$ 66,388	\$ 6,855,831
Restricted for:			
Management levy	23,390	-	23,390
Physical plant and equipment levy	502,708	-	502,708
Other special revenue purposes	252,547	-	252,547
Capital projects	2,163,908	-	2,163,908
Baseball program	16,097	-	16,097
State grants	223,194	-	223,194
Unrestricted	1,902,694	155,991	2,058,685
Total net assets	\$ <u>11,873,981</u>	\$ <u>222,379</u>	\$ <u>12,096,360</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,767,347	\$ 1,009,172	\$ 1,445,267	\$ -
Support services:				
Student services	247,792	-	-	-
Instructional staff services	421,350	-	-	-
Administration services	1,536,023	-	4,140	-
Operation and maintenance of plant services	1,617,682	-	-	-
Transportation services	869,225	-	48,151	-
	4,692,072	-	52,291	-
Non-instructional programs	27,055	-	-	-
Other expenditures:				
Facilities acquisition	16,915	-	-	165,260
Long-term debt interest and fiscal charges	132,942	-	-	-
AEA flowthrough	563,196	-	563,196	-
Depreciation (unallocated) *	310,327	-	-	-
	1,023,380	-	563,196	165,260
Total governmental activities	15,509,854	1,009,172	2,060,754	165,260

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,312,908)	\$ -	\$ (7,312,908)
(247,792)	-	(247,792)
(421,350)	-	(421,350)
(1,531,883)	-	(1,531,883)
(1,617,682)	-	(1,617,682)
(821,074)	-	(821,074)
(4,639,781)	-	(4,639,781)
(27,055)	-	(27,055)
148,345	-	148,345
(132,942)	-	(132,942)
-	-	-
(310,327)	-	(310,327)
(294,924)	-	(294,924)
(12,274,668)	-	(12,274,668)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration services	\$ 308	\$ -	\$ -	-
Operation and maintenance of plant services	840	-	-	-
	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	658,624	466,030	225,644	-
Preschool operations	10,389	21,732	-	-
	<u>669,013</u>	<u>487,762</u>	<u>225,644</u>	<u>-</u>
Total business-type activities	<u>670,161</u>	<u>487,762</u>	<u>225,644</u>	<u>-</u>
Total	\$ <u>16,180,015</u>	\$ <u>1,496,934</u>	\$ <u>2,286,398</u>	\$ <u>165,260</u>

General Revenues (Expenses):

Property tax levied for:
 General purposes
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other
Loss on disposition of capital assets

Total general revenues (expenses)

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (308)	\$ (308)
-	(840)	(840)
-	(1,148)	(1,148)
-	33,050	33,050
-	11,343	11,343
-	44,393	44,393
-	43,245	43,245
(12,274,668)	43,245	(12,231,423)

\$ 4,591,512	\$ -	\$ 4,591,512
343,026	-	343,026
482,723	-	482,723
939,567	-	939,567
6,485,371	-	6,485,371
81,724	902	82,626
79,644	-	79,644
(49,291)	-	(49,291)
12,954,276	902	12,955,178
679,608	44,147	723,755
11,194,373	178,232	11,372,605
<u>\$ 11,873,981</u>	<u>\$ 222,379</u>	<u>\$ 12,096,360</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<hr/>				
Assets				
Cash and pooled investments	\$ 3,174,835	\$ 1,650,394	\$ 565,822	\$ 5,391,051
Receivables:				
Property tax:				
Current year	75,132	-	9,594	84,726
Succeeding year	4,663,233	-	635,068	5,298,301
Income surtax	222,356	-	222,356	444,712
Due from other governments	203,365	522,164	-	725,529
Inventories	12,345	-	-	12,345
	<hr/>			
Total assets	\$ 8,351,266	\$ 2,172,558	\$ 1,432,840	\$ 11,956,664
	<hr/>			
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 342,962	\$ 8,650	\$ 676	\$ 352,288
Salaries and benefits payable	1,200,432	-	-	1,200,432
Deferred revenue:				
Succeeding year property tax	4,663,233	-	635,068	5,298,301
Other	222,356	-	222,356	444,712
Total liabilities	6,428,983	8,650	858,100	7,295,733
	<hr/>			
Fund balance:				
Reserved for:				
Inventories	12,345	-	-	12,345
State grants	223,194	-	-	223,194
Debt service	-	-	2,354	2,354
Baseball program	-	-	16,097	16,097
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	556,289	556,289
Undesignated	1,686,744	2,163,908	-	3,850,652
Total fund balances	1,922,283	2,163,908	574,740	4,660,931
	<hr/>			
Total liabilities and fund balances	\$ 8,351,266	\$ 2,172,558	\$ 1,432,840	\$ 11,956,664
	<hr/>			

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds	\$ 4,660,931
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,834,443
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	444,712
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(21,105)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,045,000)</u>
Net assets of governmental activities	<u>\$ 11,873,981</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 4,585,612	\$ 939,567	\$ 790,829	\$ 6,316,008
Tuition	331,666	-	-	331,666
Other	139,638	208,983	573,647	922,268
Intermediate sources	5,020	-	-	5,020
State sources	8,294,165	-	462	8,294,627
Federal sources	326,764	-	-	326,764
Total revenues	<u>13,682,865</u>	<u>1,148,550</u>	<u>1,364,938</u>	<u>16,196,353</u>
Expenditures:				
Current:				
Instruction	<u>9,243,756</u>	-	<u>562,322</u>	<u>9,806,078</u>
Support services:				
Student services	247,792	-	-	247,792
Instructional staff services	420,346	-	-	420,346
Administration services	1,521,310	-	13,985	1,535,295
Operation and maintenance of plant services	1,375,263	-	243,316	1,618,579
Transportation services	<u>794,070</u>	-	-	<u>794,070</u>
	<u>4,358,781</u>	-	<u>257,301</u>	<u>4,616,082</u>
Non-instructional programs	<u>27,055</u>	-	-	<u>27,055</u>
Other expenditures:				
Facilities acquisition	-	418,898	766,007	1,184,905
Long term debt:				
Principal	-	-	140,000	140,000
Interest and fiscal charges	-	-	134,045	134,045
AEA flowthrough	<u>563,196</u>	-	-	<u>563,196</u>
	<u>563,196</u>	<u>418,898</u>	<u>1,040,052</u>	<u>2,022,146</u>
Total expenditures	<u>14,192,788</u>	<u>418,898</u>	<u>1,859,675</u>	<u>16,471,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(509,923)</u>	<u>729,652</u>	<u>(494,737)</u>	<u>(275,008)</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 5,500	\$ -	\$ -	\$ 5,500
Interfund transfers in (note 3)	-	-	273,245	273,245
Interfund transfers out (note 3)	-	(273,245)	-	(273,245)
Total other financing sources (uses)	<u>5,500</u>	<u>(273,245)</u>	<u>273,245</u>	<u>5,500</u>
Net change in fund balances	(504,423)	456,407	(221,492)	(269,508)
Fund balances beginning of year	<u>2,426,706</u>	<u>1,707,501</u>	<u>796,232</u>	<u>4,930,439</u>
Fund balances end of year	<u>\$ 1,922,283</u>	<u>\$ 2,163,908</u>	<u>\$ 574,740</u>	<u>\$ 4,660,931</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (269,508)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,261,802	
Depreciation expense	<u>(441,398)</u>	820,404

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (49,291)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 36,900

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 140,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,103

Change in net assets of governmental activities \$ 679,608

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008

	School Nutrition	Nonmajor - Preschool Daycare	Total
Assets			
Cash and cash equivalents	\$ 129,922	\$ 14,884	\$ 144,806
Inventories	24,031	-	24,031
Capital assets, net of accumulated depreciation	66,388	-	66,388
Total assets	<u>220,341</u>	<u>14,884</u>	<u>235,225</u>
Liabilities			
Deferred revenue	<u>12,846</u>	-	<u>12,846</u>
Net Assets			
Invested in capital assets	66,388	-	66,388
Unrestricted	<u>141,107</u>	<u>14,884</u>	<u>155,991</u>
Total net assets	<u>\$ 207,495</u>	<u>\$ 14,884</u>	<u>\$ 222,379</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	School Nutrition	Nonmajor - Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 466,030	\$ 21,732	\$ 487,762
Operating expenses:			
Support services:			
Administration services	308	-	308
Operation and maintenance of plant services	840	-	840
Non-instructional programs	658,624	10,389	669,013
	<u>659,772</u>	<u>10,389</u>	<u>670,161</u>
Operating income (loss)	<u>(193,742)</u>	<u>11,343</u>	<u>(182,399)</u>
Non-operating revenues:			
Interest on investments	902	-	902
State sources	7,685	-	7,685
Federal sources	217,959	-	217,959
Total non-operating revenues	<u>226,546</u>	<u>-</u>	<u>226,546</u>
Change in net assets	32,804	11,343	44,147
Net assets beginning of year	<u>174,691</u>	<u>3,541</u>	<u>178,232</u>
Net assets end of year	<u>\$ 207,495</u>	<u>\$ 14,884</u>	<u>\$ 222,379</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	School Nutrition	Nonmajor - Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 456,090	\$ -	\$ 456,090
Cash received from miscellaneous operating activities	11,895	22,534	34,429
Cash payments to employees for services	(292,516)	(20,864)	(313,380)
Cash payments to suppliers for goods or services	(312,109)	(552)	(312,661)
Net cash provided by (used by) operating activities	<u>(136,640)</u>	<u>1,118</u>	<u>(135,522)</u>
Cash flows from non-capital financing activities:			
State grants received	7,685	-	7,685
Federal grants received	171,499	-	171,499
Net cash provided by non-capital financing activities	<u>179,184</u>	<u>-</u>	<u>179,184</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(13,634)</u>	<u>-</u>	<u>(13,634)</u>
Cash flows from investing activities:			
Interest on investments	<u>902</u>	<u>-</u>	<u>902</u>
Net increase in cash and cash equivalents	29,812	1,118	30,930
Cash and cash equivalents beginning of year	<u>100,110</u>	<u>13,766</u>	<u>113,876</u>
Cash and cash equivalents end of year	<u>\$ 129,922</u>	<u>\$ 14,884</u>	<u>\$ 144,806</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	School Nutrition	Nonmajor - Preschool Daycare	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (193,742)	\$ 11,343	\$ (182,399)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	8,983	-	8,983
Commodities used	46,460	-	46,460
Decrease in due from other governments	-	802	802
(Increase) in inventories	(296)	-	(296)
(Decrease) in accounts payable	-	(552)	(552)
(Decrease) in salaries and benefits payable	-	(10,475)	(10,475)
Increase in deferred revenue	1,955	-	1,955
Net cash provided by (used by) operating activities	\$ <u>(136,640)</u>	\$ <u>1,118</u>	\$ <u>(135,522)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$46,460 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>7,211</u>
Liabilities:	
Other payables	<u>7,211</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Watkins, and Walford, Iowa, and agricultural territory in Benton, Iowa, and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenue.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2008.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$3,165,747.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>27</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>273,245</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	493,095	8,650	493,095	8,650
Total capital assets not being depreciated	<u>556,151</u>	<u>8,650</u>	<u>493,095</u>	<u>71,706</u>
Capital assets being depreciated:				
Buildings	13,193,378	1,605,083	75,618	14,722,843
Improvements other than buildings*	417,521	41,152	-	458,673
Furniture and equipment*	2,454,243	100,012	483,445	2,070,810
Total capital assets being depreciated	<u>16,065,142</u>	<u>1,746,247</u>	<u>559,063</u>	<u>17,252,326</u>
Less accumulated depreciation for:				
Buildings	5,689,685	277,573	30,874	5,936,384
Improvements other than buildings*	156,809	21,725	-	178,534
Furniture and equipment*	1,711,469	142,100	478,898	1,374,671
Total accumulated depreciation	<u>7,557,963</u>	<u>441,398</u>	<u>509,772</u>	<u>7,489,589</u>
Total capital assets being depreciated, net	<u>8,507,179</u>	<u>1,304,849</u>	<u>49,291</u>	<u>9,762,737</u>
Governmental activities capital assets, net	<u>\$ 9,063,330</u>	<u>\$ 1,313,499</u>	<u>\$ 542,386</u>	<u>\$ 9,834,443</u>

* Capital assets of \$30,880 and accumulated depreciation of \$1,029 have been reclassified from furniture and equipment to improvements other than buildings to more accurately reflect the nature of the assets. The beginning balances have been adjusted to reflect this reclassification.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 142,781	\$ 13,634	\$ 1,941	\$ 154,474
Less accumulated depreciation	81,044	8,983	1,941	88,086
Business-type activities capital assets, net	<u>\$ 61,737</u>	<u>\$ 4,651</u>	<u>\$ -</u>	<u>\$ 66,388</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 28,729
Support services:	
Instructional staff	1,004
Administration	1,296
Operation and maintenance of plant services	4,103
Transportation	95,939
	<u>131,071</u>
Unallocated depreciation	<u>310,327</u>
Total governmental activities depreciation expense	<u>\$ 441,398</u>
Business-type activities:	
Food service operations	<u>\$ 8,983</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds
Balance beginning of year	\$ 3,185,000
Additions	-
Reductions	<u>140,000</u>
Balance end of year	<u>\$ 3,045,000</u>
Due within one year	<u>\$ 145,000</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1993			
	Interest Rates	Principal	Interest	Total
2009	6.00 %	\$ 30,000	\$ 6,000	\$ 36,000
2010	6.00	35,000	4,200	39,200
2011	6.00	35,000	2,100	37,100
Subtotal		100,000	12,300	112,300
Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2009	4.500 %	\$ 115,000	\$ 120,632	\$ 235,632
2010	4.500	120,000	115,458	235,458
2011	4.500	125,000	110,058	235,058
2012	3.375	170,000	104,432	274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
Subtotal		2,945,000	1,104,962	4,049,962
Total		\$ 3,045,000	\$ 1,117,262	\$ 4,162,262

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$568,780, \$501,011, and \$488,273, respectively, equal to the required contributions for each year.

Note 7. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$563,196 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Subsequent Event

In July 2008, the District entered into a contract totaling \$185,154 for the construction of a maintenance/storage building.

Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds Required Supplementary Information Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 7,569,942	\$ 488,664	\$ 8,058,606	7,942,084	\$ 116,522
Intermediate sources	5,020	-	5,020	-	5,020
State sources	8,294,627	7,685	8,302,312	8,042,021	260,291
Federal sources	326,764	217,959	544,723	559,000	(14,277)
Total revenues	16,196,353	714,308	16,910,661	16,543,105	367,556
EXPENDITURES/EXPENSES:					
Instruction	9,806,078	-	9,806,078	9,529,420	(276,658)
Support services	4,616,082	1,148	4,617,230	4,615,070	(2,160)
Non-instructional programs	27,055	669,013	696,068	805,800	109,732
Other expenditures	2,022,146	-	2,022,146	2,406,660	384,514
Total expenditures/expenses	16,471,361	670,161	17,141,522	17,356,950	215,428
Excess (deficiency) of revenues over (under) expenditures/ expenses	(275,008)	44,147	(230,861)	(813,845)	582,984
Other financing sources, net	5,500	-	5,500	40,000	(34,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(269,508)	44,147	(225,361)	(773,845)	548,484
Balance beginning of year	4,930,439	178,232	5,108,671	5,308,933	(200,262)
Balance end of year	\$ 4,660,931	\$ 222,379	\$ 4,883,310	4,535,088	\$ 348,222

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted.

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Other Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 19,512	\$ 252,547	\$ 275,312	\$ 2,354
Receivables:				
Property tax:				
Current year	3,878	-	5,716	-
Succeeding year	300,000	-	335,068	-
Income surtax	-	-	222,356	-
Total assets	<u>\$ 323,390</u>	<u>\$ 252,547</u>	<u>\$ 838,452</u>	<u>\$ 2,354</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 676	\$ -
Deferred revenue:				
Succeeding year property tax	300,000	-	335,068	-
Other	-	-	222,356	-
Total liabilities	<u>300,000</u>	<u>-</u>	<u>558,100</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	2,354
Baseball program	-	-	-	-
Unreserved:				
Undesignated	23,390	252,547	280,352	-
Total fund equity	<u>23,390</u>	<u>252,547</u>	<u>280,352</u>	<u>2,354</u>
Total liabilities and fund equity	<u>\$ 323,390</u>	<u>\$ 252,547</u>	<u>\$ 838,452</u>	<u>\$ 2,354</u>

See accompanying independent auditor's report.

<u>Permanent Marjorie Smith Trust</u>	<u>Total</u>
\$ 16,097	\$ 565,822
-	9,594
-	635,068
-	222,356
<u>\$ 16,097</u>	<u>\$ 1,432,840</u>
\$ -	\$ 676
-	635,068
-	222,356
-	858,100
-	2,354
16,097	16,097
-	556,289
<u>16,097</u>	<u>574,740</u>
<u>\$ 16,097</u>	<u>\$ 1,432,840</u>

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 225,176	\$ -	\$ 565,653	\$ -
Other	27,562	543,072	1,800	772
State sources	178	-	284	-
Total revenues	<u>252,916</u>	<u>543,072</u>	<u>567,737</u>	<u>772</u>
Expenditures:				
Current:				
Instruction	-	562,322	-	-
Support services:				
Administration services	13,985	-	-	-
Operation and maintenance of plant services	241,288	-	2,028	-
Other expenditures:				
Facilities acquisition	-	-	766,007	-
Long term debt:				
Principal	-	-	-	140,000
Interest and fiscal charges	-	-	-	134,045
Total expenditures	<u>255,273</u>	<u>562,322</u>	<u>768,035</u>	<u>274,045</u>
Excess (deficiency) of revenues over (under) expenditures	(2,357)	(19,250)	(200,298)	(273,273)
Other financing sources:				
Interfund transfers in	-	-	-	273,245
Net change in fund balances	(2,357)	(19,250)	(200,298)	(28)
Fund balances beginning of year	<u>25,747</u>	<u>271,797</u>	<u>480,650</u>	<u>2,382</u>
Fund balances end of year	<u>\$ 23,390</u>	<u>\$ 252,547</u>	<u>\$ 280,352</u>	<u>\$ 2,354</u>

See accompanying independent auditor's report.

<u>Permanent</u>			
<u>Marjorie</u>			
<u>Smith</u>			
<u>Trust</u>		<u>Total</u>	
\$ -		\$ 790,829	
441		573,647	
-		462	
<u>441</u>		<u>1,364,938</u>	
-		562,322	
-		13,985	
-		243,316	
-		766,007	
-		140,000	
-		134,045	
<u>-</u>		<u>1,859,675</u>	
441		(494,737)	
<u>-</u>		<u>273,245</u>	
441		(221,492)	
<u>15,656</u>		<u>796,232</u>	
<u>\$ 16,097</u>		<u>\$ 574,740</u>	

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 2,035	\$ 1,636	\$ 214	\$ 3,457
Drama	6,449	8,430	9,030	5,849
Vocal	39,312	83,412	87,061	35,663
Instrumental	12,235	61,746	67,787	6,194
Industrial Tech. Resale	522	-	-	522
Student Council	901	1,734	1,912	723
Media Club	1,800	2,648	1,624	2,824
Concessions	255	-	-	255
Yearbook	20,863	14,676	15,147	20,392
Art Club	2,325	3,821	2,431	3,715
Pom Pom	879	1,107	1,622	364
SADD	45	160	-	205
FFA	9,887	60,683	51,456	19,114
Spanish Club	15,396	14,562	17,734	12,224
National Honor Society	2,268	2,114	2,855	1,527
FCCLA	1,907	5,998	8,119	(214)
Wrestlerettes	45	-	-	45
Cheerleaders	165	11,713	13,197	(1,319)
Thespians	1,358	1,446	526	2,278
Class of 2008	1,272	3,911	4,951	232
Class of 2009	1,842	2,316	3,185	973
Class of 2010	1,114	1,106	-	2,220
Class of 2011	-	1,265	36	1,229
HOSA	3,322	640	-	3,962
B/G Cocurricular	43,295	40,548	54,627	29,216
General Athletics	48,884	137,382	145,959	40,307
	218,376	463,054	489,473	191,957
Middle School:				
Student Council	3,297	302	858	2,741

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 331	\$ 45	\$ -	\$ 376
Student Council	14,580	14,790	9,547	19,823
Media Club	2,965	5,584	5,086	3,463
	<u>17,876</u>	<u>20,419</u>	<u>14,633</u>	<u>23,662</u>
Norway:				
Cocurricular	987	96	-	1,083
Student Council	8,458	21,377	22,586	7,249
Media Club	1,999	7,396	6,287	3,108
Yearbook	454	3,789	4,838	(595)
	<u>11,898</u>	<u>32,658</u>	<u>33,711</u>	<u>10,845</u>
Keystone:				
Cocurricular	3,741	177	-	3,918
VHE Fundraiser	2,000	-	-	2,000
Student Council	11,184	24,477	21,662	13,999
Media Club	2,747	1,984	1,984	2,747
Art Club	678	1	1	678
	<u>20,350</u>	<u>26,639</u>	<u>23,647</u>	<u>23,342</u>
Total	\$ <u>271,797</u>	\$ <u>543,072</u>	\$ <u>562,322</u>	\$ <u>252,547</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 4,741	\$ 2,470	\$ -	\$ 7,211
Liabilities				
Other payables	\$ 4,741	\$ 2,470	\$ -	\$ 7,211

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 6,316,008	\$ 6,200,534	\$ 5,749,200	\$ 5,666,309
Tuition	331,666	411,950	435,003	394,057
Other	922,268	779,811	660,751	554,516
Intermediate sources	5,020	27,250	-	31,116
State sources	8,294,627	7,570,220	7,222,771	6,660,965
Federal sources	326,764	408,774	416,949	275,729
Total revenues	<u>\$ 16,196,353</u>	<u>\$ 15,398,539</u>	<u>\$ 14,484,674</u>	<u>\$ 13,582,692</u>
Expenditures:				
Instruction	\$ 9,806,078	\$ 8,915,773	\$ 8,477,351	\$ 8,191,843
Support services:				
Student services	247,792	218,385	282,904	236,472
Instructional staff services	420,346	399,005	415,950	361,657
Administration services	1,535,295	1,329,890	1,264,891	1,106,402
Operation and maintenance of plant services	1,618,579	1,659,135	1,416,325	1,335,313
Transportation services	794,070	857,489	785,013	756,403
Non-instructional programs	27,055	-	-	-
Other expenditures:				
Facilities acquisition	1,184,905	1,040,783	672,640	1,454,627
Long-term debt:				
Principal	140,000	135,000	125,000	45,000
Interest and fiscal charges	134,045	140,015	145,453	203,246
AEA flowthrough	563,196	531,883	500,773	477,287
Total expenditures	<u>\$ 16,471,361</u>	<u>\$ 15,227,358</u>	<u>\$ 14,086,300</u>	<u>\$ 14,168,250</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Benton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Benton Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Benton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-B-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Benton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Benton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 2, 2009

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-08 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as reviewing, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Business Manager continue to review and be involved in the day to day transactions.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

I-B-08 Financial Reporting – During the audit, we identified material amounts of income surtax revenues not properly allocated between funds in the District's financial statements. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure the income surtax revenues are properly allocated and recorded in the District's financial statements.

Response – We have adjusted our financial statements for this correction. The income surtax revenue allocation changed this year and we used the old ratio in our calculations. We will make sure the income surtax revenue is properly allocated in the future.

Conclusion – Response accepted.

I-C-08 Bank Reconciliation – We noted \$6,274 of Student Activity Fund checks written in July 2008 that were included as outstanding checks on the June 30, 2008 bank reconciliation.

Recommendation – This practice understates cash and accounts payable and is not in conformity with generally accepted accounting procedures. The outstanding checks on the bank reconciliation should include only checks that had been written June 30 or earlier but had not cleared through the bank. All checks should be dated the day they are written.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

I-C-08 Bank Reconciliation (continued)

Response – We will try to properly record and date all checks in the future. We will discontinue the practice of recording accounts payable items as outstanding checks.

Conclusion – Response accepted.

I-D-08 Disbursements – Out of forty-one disbursements tested, two were not fully supported by an invoice or receipt at the time of payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to their being paid.

Response – We will make sure that all future disbursements are properly supported by an invoice or other document, which is on hand at the business office prior to the disbursement being paid.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the instruction and support services functions.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – We will amend our budget before expenditures exceed the budget.
- Conclusion – Response accepted.
- II-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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